

Message Text

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PAGE 01 PARIS 28956 091603Z

42

ACTION EUR-25

INFO OCT-01 ISO-00 EURE-00 SSO-00 DRC-01 NSCE-00 USIE-00

INRE-00 CIAE-00 PM-07 INR-10 L-03 NEA-10 NSAE-00

PA-04 RSC-01 PRS-01 SPC-03 TRSE-00 SAJ-01 IO-14 OMB-01

ACDA-19 EB-11 COME-00 DODE-00 H-03 NSC-10 SS-20 /145 W
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O 091504Z NOV 73

FM AMEMBASSY PARIS

TO SECSTATE WASHDC IMMEDIATE 1063

AMEMBASSY BONN

USMISSION EC BRUSSELS

US MISSION NATO 3275

C O N F I D E N T I A L PARIS 28956

SECTO 7

E.O. 11652 GDS

TAGS:

SUBJ: OFFSET

DEPARTMENT REPEAT IMMEDIATE TO THE SECRETARY

1. OFFSET DISCUSSION IN BONN RESULTED IN GERMAN COMMITMENT TO ADDITIONAL MILITARY PROCUREMENT AND GOVERNMENT FACILITATION OF URANIUM PURCHASE BY PRIVATE UTILITIES. THIS CAN ADD ADDITIONAL \$370 MILLION. GERMANS PROPOSE WE ACCEPT DIRECT EXPENDITURES INCURRED BY THEM FOR BERLIN OCCUPATION AND IMPUTE RENTAL VALUE FOR REAL ESTATE MADE AVAILABLE BY THEM AS ADDITIONAL OFFSET. THIS WOULD AMOUNT TO \$1.5 BILLION PER YEAR. THIS THEY ARGUE WOULD BRING OFFSET WELL IN EXCESS OF PREVIOUS 80 PERCENT TARGET. I POINTED OUT THAT ONLY A VERY SMALL PORTION OF THESE ADDITIONAL ITEMS, IF ANY, WOULD BE LIKELY TO BE ACCEPTED AS OFFSET AND THAT, AS WE STAND OFFSET ONLY AMOUNTS TO SOMETHING LIKE 42 PERCENT WHICH WOULD CALL FOR SUBSTANTIAL TROOP WITHDRAWALS.

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PAGE 02 PARIS 28956 091603Z

I POINTED OUT ACTION BY THE CONGRESS IN ENACTING JACKSON-NUNN

CALLED FOR ENTIRELY NEW APPROACH TO OFFSET. IN THE FIRST INSTANCE, DETERMINATION OF THE ADEQUACY OF OFFSET WOULD BE MADE ON A NATO-WIDE BASIS. THE GERMANS ARE CONCERNED ABOUT THIS FACTOR AND HAVE BEEN WARY ABOUT POSSIBILITY THAT BILATERAL OFFSET COMMITMENT WOULD SET THEM UP FOR FURTHER TAP IN MULTILATERAL BURDENSHP. I POINTED OUT THAT IT MIGHT BE BEST TO LOOK AT JACKSON-NUNN AS A POSITIVE DEVELOPMENT. AS AN OVERWHELMING EXPRESSION OF THE SENATE THAT FULL OFFSET JUSTIFIES US TROOP COMMITMENT, IT CAN PROVIDE STABILITY AND REMOVE ANNUAL THREAT OF TROOP WITHDRAWAL PURSUANT TO MANSFIELD LIKE AMENDMENT. INTELLIGENT THING TO DO IS FULLY ANALYZE JACKSON-NUNN IMPLICATIONS, MEASURE IT AGAINST FUTURE PROCUREMENT AND INFRASTRUCTURE COSTS AND SEE HOW MUCH IN ADDITION TO EUROPEAN MILITARY BUDGETS WOULD BE REQUIRED TO ABSORB US SERVICE COSTS TO THE EXTENT OF CREATING SOLID ASSURANCE FOR CONTINUED TROOP COMMITMENT. I THREW OUT MY PERSONAL PRELIMINARY ESTIMATE THAT SOMETHING IN THE ORDER OF A 3 PERCENT INCREASE IN EUROPEAN MILITARY BUDGETS WOULD BE ENOUGH TO ACHIEVE FULL OFFSET AND TO ASSURE CONTINUED COMMITMENT OF US FORCES AT PRESENT LEVEL UNDER JACKSON-NUNN PROVISION. THE GERMANS AGREED THAT THIS SHOULD BE STUDIED CAREFULLY AND REQUESTED OUR ANALYSIS OF HOW JACKSON-NUNN OPERATES AND WHAT IT WOULD TAKE TO FULLY MEET ITS REQUIREMENTS.

2. EB, EUR AND PM SHOULD BEGIN WORK TO LAY OUT MAGNITUDE OF NATO-WIDE PROCUREMENT REQUIREMENTS, THE ADDITIONAL OUTLAYS NEEDED TO FILL THE GAP BETWEEN FULL OFFSET AND FULL PROCUREMENT, HOW THIS MIGHT BE ALLOCATED AMONG NATO COUNTRIES, WHAT IT REPRESENTS AS PERCENTAGE OF EXISTING LEVEL OF MILITARY BUDGETS, TIME FLEXIBILITY IN MOVING BUDGETS TO FULL OFFSET LEVEL TOGETHER WITH ANY OTHER FACTORS NECESSARY FOR FULL ANALYSIS AND PRESENTATION OF ARGUMENTS AND PROGRAM FOR FULL OFFSET. EXPLORE WITH DEFENSE AND COMMERCE THE DEGREE TO WHICH WE CAN STILL USE CURRENCY FEEDBACK TO THE US, PREVIOUSLY AGREED TO, TO JUSTIFY 80 PERCENT RATHER THAN 100 PERCENT OFFSET.

3. IN BRUSSELS ON WEDNESDAY, I INITIATED THINKING AND WORK ALONG THESE LINES ON THE PART OF THE US NATO DELEGATION.
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PAGE 03 PARIS 28956 091603Z

HAVE PRELIMINARY THINKING, ASSEMBLY OF DATA AND PROGRAM TO COMPLETE ANALYSIS AND PRESENTATION OF THIS APPROACH READY FOR DISCUSSION WITH ME ON WEDNESDAY (NOV.14).
CASEY

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